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RUEHLMC/MILLENNIUM CHALLENGE CORPORATION WASHINGTON DC  
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C O N F I D E N T I A L SECTION 01 OF 02 GEORGETOWN 000547

SIPDIS  
NOFORN  
EEB/ESC/IEC/ENR - J. BRIAN DUGGAN/DAVID HENRY/PETER SECOR  
WHA/CAR - SEAN WHALEN/WILLARD SMITH  
AMEMBASSY BRIDGETOWN PASS TO AMEMBASSY GRENADA

E.O. 12958: DECL: 2019/12/22  
TAGS: [PGOV](#) [PREL](#) [ECON](#) [EPET](#) [XL](#) [GY](#)  
SUBJECT: CANADIAN COMPANY CONFIDENT OIL OFF GUYANA

CLASSIFIED BY: Karen L. Williams, Charge d'affaires, DOS, Exec;  
REASON: 1.4(B), (D)

¶1. (C) SUMMARY: Based on promising seismic indicators, CGX Resources Inc., a wholly-owned subsidiary of Canadian oil firm CGX Energy Inc. created in 1998 to develop deposits in Guyana's coastal waters, plans to begin exploratory drilling in September 2010 and projects peak production of up to 300,000 barrels per day by 2015. CGX expects to invest up to USD350 million in infrastructure by peak production. CGX faces several challenges to smooth operations in Guyana, including obtaining favorable customs and immigration treatment, adequately protecting its facilities and employees, and avoiding the influences of neighboring countries' foreign policies vis-C -vis Guyana. END SUMMARY.

#### EXPLORATION AND PRODUCTION TIMELINE

¶2. (SBU) On December 7, CGX Director Edris K. Dookie briefed PolChief and EconOff on the company's progress in developing a potentially major oil field in Guyana waters. Rig construction will begin at the "Eagle Deep" site (located near the Surinamese border, about 100 miles off coast, in water 230-250 feet deep) early in 2010 and continue for six months, he said. Dookie said the most realistic start date for exploratory drilling is September/October 2010. He said it will take three to four months to drill into three geologic zones thought to contain oil: first, at 11-12,000 feet; second, at 15-16,000 feet; and third, at 19,000 feet and deeper. CGX anticipates ramping up production over the course of five years, producing by 2015 up to 300,000 barrels per day. (Note: ExxonMobil contacts considering operations in Guyana previously commented that up to 10 years may be necessary to develop a major field from initial discovery to full production. End note.)

#### INVESTMENT AND PROJECTED REVENUE

¶3. (SBU) Expected cost of the rig is USD75 million, plus 20 percent to account for delays and cost overruns, according to Dookie. CGX is negotiating with the GoG to lease 55 acres for its operations facility on the east bank of Berbice River north of New Amsterdam. Cadastral surveys have begun in anticipation of signing the lease. Phase I of facility includes 350'x500' storage area and 150' concrete pier. Phase II includes expanding the facility as necessary as exploratory drilling segues into production. The pier would require a draft of at least 30 feet to accommodate large ships. CGX estimates spending up to USD350 million on infrastructure, including the rig, by the time full production is

reached in 2015 or beyond.

#### OBSTACLES OVERCOME AND REMAINING

¶4. (SBU) Dookie enumerated the obstacles his company had already surmounted and the many future challenges. Securing the Environmental Protection Agency (EPA) permit authorizing exploratory drilling did not occur until Dookie, President and CEO Kerry Sully, and other CGX officials met with President Jagdeo on November 21. Dookie indicated that before the meeting CGX could neither elicit response from the EPA nor make progress in acquiring a 55 acre parcel of land on the Berbice River north of New Amsterdam. But the day after meeting Jagdeo, Dookie recounts, the EPA Administrator informed him the permit had been granted and permission was granted separately to begin cadastral surveys.

¶5. (C) Dookie cited several remaining challenges. Securing favorable duty concessions and expedited customs clearance on imported capital equipment is a top priority, he said. Obtaining visas and work permits for skilled labor is also a concern. Protecting those workers and company property from pirate attacks is another. Dookie observed that the Guyana Defense Force (GDF) lacks an effective, properly equipped coast guard and intimated that the U.S. should strengthen the GDF Coast Guard. On land, Dookie said CGX will employ Guyana Police Force (GPF) "tactical service units" for site and personnel protection. Dookie also pointed to concerns about neighboring Suriname and Venezuela. According to Dookie, there is pressure from within the GoG to prevent Venezuelan participation of any kind at Eagle Deep.

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¶6. (C) COMMENT: Large-scale oil production poses several challenges for both CGX and the Government of Guyana. Establishing the necessary capacity to responsibly manage oil funds is key to successful project implementation. Economically, large scale oil production is not envisioned in President Jagdeo's Low Carbon Development Strategy and is in direct conflict with pursuing the low-carbon economy outline. Politically, however, the large influx of foreign direct investment expected from CGX is too tempting to pass up for a poor nation and it may be a carrot for Jagdeo to remain in office longer than 2011. Rumors already abound that, instead of a third term, President Jagdeo will find a way to delay elections by one to two years. END COMMENT.  
WILLIAMS